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ABSTRACT

This audit report of the State University of New York (SUNY) College of Agriculture and Technology at Morrisville addresses the question of whether the college management has established an effective system of internal control over its revenue, equipment, and student work-study payroll. The audit makes a number of observations and conclusions. These include: (1) management needs to take additional steps to maintain an effective system of internal control over equipment (such as desktop computers) and revenue; (2) the bursar's office does not provide appropriate separation of duties to ensure effective control over revenue, nor does it have adequate controls and follow-up for uncashed checks; and (3) there are deficiencies in recording and collection of significant amounts of revenue. College officials responded that while staff reductions and turnover were largely responsible for the problems identified, they concurred with the recommendations and list steps that have been or will be taken to implement changes. (RH)

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State of New York
Office of the State Comptroller

Division of Management Audit and
State Financial Services

Report 99-S-30

Mr. Robert L. King
Chancellor
State University of New York
State University Plaza
Albany, NY 12246

Dear Mr. King:

The following is our audit report of selected financial management practices at the State University College of Agriculture and Technology at Morrisville.

This audit was performed pursuant to the State Comptroller's authority as set forth in Article V, Section 1 of the State Constitution and Article II, Section 8 of the State Finance Law. Major contributors to this report are listed in Appendix A.

Office of the State Comptroller
Division of Management Audit
and State Financial Services

May 11, 2000

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Executive Summary

SUNY College of Agriculture and Technology at Morrisville
Selected Financial Management Practices

Scope of Audit

The State University of New York (SUNY) College of Agriculture and Technology at Morrisville (College) is one of five agriculture and technology colleges in the SUNY system. Located in Morrisville, New York, the College offers 70 degree programs that include two-year associate degree programs, one-year certificate programs, and a Bachelor of Technology degree program in Equine Science. During the Fall 1999 semester, the College had over 2,800 students, 533 faculty and staff employees, and 168 temporary student employees. College expenditures during the 1998-99 State fiscal year totaled about $24.8 million.

For the 12 month period ended June 30, 1999, the College collected over $22.8 million from tuition, fees, room rent, meal plans, and other sources. The Bursar's Office deposited about $17.1 million into the College's local depository bank. The remaining collections, primarily student financial aid, were deposited directly into an account maintained by SUNY System Administration. The College uses an integrated database computer system called Banner 2000 for student registration and revenue accounting. In addition, the College uses SUNY's Property Control System, a statewide, computerized database system, to account for equipment items that cost over $1,500 and for all computer equipment items that cost over $500. The College provides a work-study program for students. As of September 15, 1999, 51 students were participating in the program at $5.15 per hour.

Our audit addressed the following question about selected financial management practices at the College for the period July 1, 1998 through November 30, 1999:

- Has College management established an effective system of internal control over its revenue, equipment and student work-study payroll?

Audit Observations and Conclusions

We conclude that College management needs to take additional steps to maintain an effective system of internal control over equipment and revenue. We found that the Bursar's Office does not provide for appropriate separation of duties to ensure effective control over revenue. In addition, the Bursar's Office did not have adequate controls and follow up for uncashed checks. The College had 520 uncashed checks totaling $55,701 that were over one year old, including 328 totaling $32,617 that were over three years old. Also, College management had neither

identified all of the peripheral revenue collection locations nor provided guidance and oversight for the recording and collection of significant amounts of revenue. At the peripheral locations we found deficiencies that expose revenue to loss. We made recommendations for improvements at the Bursar's Office and at peripheral locations. (See pp. 4-9)

One peripheral location billed and collected for certain non-credit courses. However, this activity was not done in a timely manner. Several students owed $10,545 for completed courses. Some of this amount was owed for up to six months without billing and some of it was previously billed, but up to eight months past without follow up billing. We questioned why this activity was not assigned to the Bursar's Office where student billing and collection generally is handled. (See p. 7)

We found that College managers provided little guidance and oversight for equipment control, and had not conducted an effective physical inventory of equipment. Newly acquired items had not been added to the inventory in a timely manner. For example, 78 desktop computers valued at $100,000 and purchased in July 1999 were not in inventory as of October 31, 1999. Our report contains recommendations to improve equipment controls. (See pp. 10-13)

College officials responded that staff reductions and turnover in recent years are largely responsible for the control problems we identified. Officials concur with the recommendations we make in our report to address the problems.

Comments of SUNY Officials

SUNY Officials agree with our recommendations and indicate steps that have been or will be taken to implement them.

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Major Contributors to This Report

Appendix B

Comments of SUNY Officials

Introduction

Background

The State University of New York (SUNY) College of Agriculture and Technology at Morrisville (College) is one of five agriculture and technology colleges in the SUNY system. Located in Morrisville, New York, the College offers 70 degree programs that include two-year associate degree programs, one-year certificate programs, and a Bachelor of Technology degree program in Equine Science. During the Fall 1999 semester, the College had over 2,800 students, 533 faculty and staff employees, and 168 temporary student employees. College expenditures during the 1998-99 State fiscal year totaled about $24.8 million.

For the 12 month period ended June 30, 1999, the College collected over $22.8 million from tuition, fees, room rent, meal plans, and other sources. The Bursar's Office deposited about $17.1 million into the College's local depository bank. The remaining collections, primarily student financial aid, were deposited directly into an account maintained by SUNY System Administration.

The College uses an integrated database computer system called Banner 2000 for student registration and revenue accounting. In addition, the College uses SUNY's Property Control System, a statewide computerized database system, to account for equipment items valued at certain dollar thresholds. The College provides a work-study program for students. As of September 15, 1999, 51 students were participating in the program at $5.15 per hour.

Audit Scope, Objective and Methodology

We audited selected financial management practices at the College for the period July 1, 1998 through November 30, 1999. The objective of our financial-related audit was to evaluate whether management had established an effective system of internal controls over revenue, equipment and student work-study payroll. To accomplish this objective, we interviewed College staff and officials; reviewed relevant policies, procedures, rules and regulations; and examined appropriate records. To help us assess management's accountability and control over equipment assets, we used database diagnostic software to examine the College's equipment database for the 16 months ended October 27, 1999. As part of our review, we tested judgment samples of College equipment records, revenue account disbursement checks and the student work-study payroll. In addition, we reviewed the status of findings and recommendations related to internal controls from our previous audit (Report 88-S-3, issued March 28, 1989).

We conducted our audit according to generally accepted government auditing standards. Such standards require that we plan and do our audit to adequately assess those operations of the College which are included in our audit scope. Further, these standards require that we understand the College's internal control structure and compliance with those laws, rules, and regulations that are relevant to the College's operations which are included in our audit scope. An audit includes examining, on a test basis, evidence supporting transactions recorded in the accounting and operating records and applying such other auditing procedures as we consider necessary in the circumstances. An audit also includes assessing the estimates, judgments and decisions made by management. We believe that our audit provides a reasonable basis for our findings, conclusions and recommendations.

We use a risk-based approach when selecting activities to be audited. This approach focuses our audit efforts on those operations that we have identified through a preliminary survey as having the greatest probability for needing improvement. Consequently, by design, finite audit resources are used to identify where and how improvements can be made. Thus, we devote little audit effort to reviewing operations that may be relatively efficient or effective. As a result, our audit reports are prepared on an "exception basis." This report, therefore, highlights those areas needing improvement and does not address activities that may be functioning properly.

Internal Control and Compliance Summary

Our consideration of the College's internal control structure focused on revenue, equipment and student work-study payroll. We identified certain weaknesses in these controls which we identify in the sections of this report entitled "Revenue Control" and "Equipment Control." We deemed our findings in the area of student work-study payroll to be of lesser significance, and we have separately provided College officials with detailed comments and recommendations concerning these matters. Although these matters are of lesser significance, the recommendations should be implemented to improve operations. Any ensuing follow-up audit of College operations may include a review of the status of these recommendations.

Response of SUNY Officials to Audit

A draft copy of this report was provided to College and SUNY System Administration officials for their review and comment. Their comments have been considered in the preparation of this report and are included as Appendix B.

Within 90 days after the final release of this report, as required by Section 170 of the Executive Law, the Chancellor of the State University of New

York shall report to the Governor, the State Comptroller, and the leaders of the Legislature and fiscal committees, advising what steps were taken to implement the recommendations contained herein, and where recommendations were not implemented, the reasons therefor.

Revenue Control

The Bursar's Office is primarily responsible for billing, collecting, and accounting for College revenues. However, at least 15 other campus locations (peripheral locations) initially collect revenue and remit it to the Bursar's Office. For the 12 month period ended June 30, 1999, the College collected $22.8 million from tuition, fees, room rent, meal plans, and other sources. For the year ended June 30, 1999, the College's peripheral locations collected and remitted about $700,000 to the Bursar. The Bursar's Office also issued about 6,500 disbursement checks totaling $6.4 million. The disbursements were primarily refunds or exchange checks to students or remittances to other organizations.

We found management had not established adequate controls over revenues. For example, we found that the functional organization of the Bursar's Office does not provide for appropriate separation of duties, and we found weaknesses in controls over cash disbursements. We also found the need for improved controls over revenues collected at peripheral locations.

Bursar's Office

To reduce the risk of error, waste or wrongful acts and the risk of such events not being detected, no one individual should control all key aspects of a transaction or event. Rather, duties and responsibilities should be assigned to a number of individuals to ensure that effective checks and balances exist. For example, cashiers should not be able to adjust accounts receivable records because they could divert funds and adjust the receivable records to cover the impropriety. Likewise, employees who either process cash receipts or maintain accounts receivable records should not have access to undistributed disbursement checks.

Presently, the College's Bursar and the four staff employees in the Bursar's Office each have the same levels of user access authority on the Banner accounting system and may at times receive and record cash payments, adjust student accounts receivable balances, as well as initiate and mechanically sign the computer-generated disbursement checks. The Bursar's Office employees also have access to the refund checks awaiting distribution. In addition, Bursar's Office staff complete the monthly bank account reconciliation and prepare the daily reconciliation report of recorded cash receipts and bank deposits.

Our prior audit report noted similar findings and made recommendations for separating duties in the Bursar's Office. In response to our prior audit report, College officials had agreed to separate functions to the extent possible, but they also stated that they had insufficient staff to fully

implement the recommendations. We noted that, since our prior audit, the Bursar's Office has been reduced from five staff to four staff. However, we also found that the College has generally neither addressed our prior audit report recommendations nor identified sufficient alternative, compensating controls to minimize risks associated with the lack of separation of duties among the staff who are presently assigned to the Bursar's Office.

We recommend that College management should conduct a comprehensive risk assessment to identify opportunities to further strengthen revenue control, including separation of duties in the Bursar's Office. In addition, we recommend that this assessment should address whether Business Office staff can be realigned to assist with Bursar activities or whether certain Bursar functions (e.g., bank account reconciliations and check preparation, signing, and/or distribution duties) can be reassigned to employees outside of the Bursar's Office. The risk assessment also should consider whether other compensating controls, such as independent review of disbursement transactions and review of student account adjustments made by the Bursar, are feasible.

Appropriate controls for checks uncashed for long periods of time, such as 90 days or longer, include examining the documentation supporting the check transaction and attempting to contact the payee. Such controls confirm the underlying integrity of the checks and provide the basis for follow up steps including voiding the checks or issuing a stop payment. In addition, the OSC Accounting System Manual sets forth detailed procedures for writing off State checks that remain uncashed after three years and remitting the funds to the General Fund.

As of June 30, 1999, the College had 520 checks totaling $55,701 that were uncashed (outstanding) for over one year, including 328 checks totaling $32,617 that were over three years old. We examined the supporting records for a judgment sample of 10 of the outstanding checks. These ten checks were each in excess of $500, had a total value of $11,585 and were payable to eight different students or their parents. Supporting records indicated that seven of the checks were valid outstanding checks. However, the remaining three checks ($3,915) were not, in fact, valid outstanding checks, since these had been voided (February, March and May 1997). Showing void checks as outstanding can be indicative of an attempt to cover a misappropriation of funds and is, therefore, a concern.

College officials report that Banner correctly identifies a check as void only if the check is voided in the same semi-monthly period that Banner records the check as being issued. If the void occurs in a subsequent

period, Banner does not identify the check as void in the check register and the check continues to be accounted for as outstanding. College officials report that since July 1997 they have used procedures independent of Banner to separately keep track of checks issued in one semi-monthly period and voided in a following period. The three checks in question from our sample predated the July 1997 procedures. Officials further state their belief that the $3,915 that is associated with the three checks we report as exceptions in our sample is apparently part of a $4,985 difference between the Banner accounting system and the College's bank statement that had been detected in 1997. The variance was never resolved and this amount was written off.

In response to our findings in the Bursar's Office, College officials advised us that they will conduct a formal risk assessment over the revenue function in the Bursar's Office and they will consider options for controls to compensate for staffing limitations. During September 1999, the Bursar wrote off $29,031 of the older uncashed checks on the outstanding check list. In addition, the Bursar plans to begin a review of all outstanding checks to determine the proper disposition of these checks and to ensure that these checks are not voids. College officials also informed us that the one compensating control procedure that had been implemented was the Bursar's review of the accuracy of daily Banner transaction report (student account adjustments made by each employee). Although this compensating control checks on the student account adjustment work of the employees in the Bursar's office, it does not check on the specific work of the Bursar or address the several other previously identified separation of duties problems.

Peripheral Locations

College management needs to improve internal controls over the revenues collected at peripheral locations. Our prior audit report made similar recommendations to adequately control cash at each peripheral location. College officials concurred, but indicated that they lacked staff at each of the peripheral areas to fully implement the recommendations. From our review of the Bursar's Office operations we noted several revenue control problems related to peripheral cash locations, including the following.

- The Bursar's Office did not maintain a list of peripheral cash collection locations and had not identified eight such locations that we found during our survey.

- Management has not provided the staff who handle cash and related records at the peripheral locations with any written procedures or formal training for the control of cash and revenue.

- Management has not overseen, monitored or identified the specific revenue control practices that exists at the peripheral locations.

- The Bursar's Office did establish accountability over and provide press-numbered receipt forms for use at six locations. However, other locations either did not use receipt forms or used receipt forms that were not controlled by College management.

We also reviewed the revenue control procedures in effect for a judgment sample of six of the peripheral locations and we noted several control weaknesses. For example, the Office of the Dean of the School of Science and Technology (Dean's Office) billed students for tuition and lab fees for various training certification courses and then collected the remittances and forwarded these to the Bursar's Office. For the year ended June 30, 1999, collections totaled $160,186. At this peripheral cash collection site we found the following problems.

- The same employees who receive payments maintain the lists of student billing records.

- Remittance checks are not restrictively endorsed upon receipt and are stored in an unlocked cabinet.

- For 17 courses offered in a recent 11 month period, 14 students owed a total of $10,545 for 16 of the courses. Ten students had never been billed for courses that had ended four to five months earlier and six students had been previously billed, but no follow up billing had taken place for up to eight months. (Two students were in both categories.)

We questioned why the billing and collection of this revenue for these non-credit courses was not handled through the normal College processes (i.e., Registrar, Bursar, Banner). College officials advise us that they are reviewing this matter and are now planning to handle these courses through the normal billing and collection processes.

At the University Police Department, $53,162 was received during the year ended June 30, 1999 for vehicle registration fees and parking fines. Department staff issue pre-numbered parking decals, and the revenue collected is recorded on press-numbered receipt forms issued by the Bursar's Office. However, at this cash collection site we found the following weaknesses.

- The same employees who receive payments also control the vehicle registration decals and parking fine records.

- The Police Department could not account for 215 receipt forms issued to it by the Bursar's Office.

- The Police Department issued 1,200 receipt forms that the Bursar's records do not reflect as ever having been issued to the Department.

- College management does not account for unsold parking decals, and the Police Department disposes of the unsold decals at the end of the year without first creating a record to officially account for them.

- Staff do not have written procedures for controlling parking registration and fine revenues or for processing cash payments.

- Remittance checks are not restrictively endorsed upon receipt.

The other peripheral cash collection sites that we visited generally exhibited similar revenue control weaknesses to the ones previously identified in this report. These weaknesses were discussed in detail with College officials during our audit. However, we also observed, that $5,345 collected for horse breaking and training services furnished by faculty to the public had been remitted to the College Foundation. This money was generated through State-funded activities and, therefore, should have remained in College accounts and should not have been remitted to the Foundation. College management should evaluate any similar revenues that are being derived from College-sponsored activities and are being remitted to other organizations, to determine whether they should be accounted for as State revenues.

College officials agreed with our observations and stated that they will take a closer look at controls at each peripheral location. Furthermore, officials plan to communicate control procedures, responsibilities, and expectations to all appropriate employees. Officials further advised us that they have already transferred the horse breaking and training revenue back to the College.

Recommendations

1. Perform a formal risk assessment to determine revenue controls, including separation of duties, for the Bursar's Office. As part of the assessment consider the organizational realignment possibilities and compensating control options identified in this report.

2. Establish control procedures that provide for the write off of uncashed checks after three years and the review and appropriate follow up on disbursement checks that remain uncashed for more than 90 days.

3. Take appropriate action to investigate and resolve the old, uncashed disbursement checks identified in report.

4. Identify and maintain an accurate listing of all peripheral cash collection sites.

5. Using a risk assessment methodology, formally identify peripheral site revenue control procedures, responsibilities, and expectations. Communicate these to all employees with a role in the system of controls.

6. Establish revenue control monitoring procedures for the peripheral collection locations.

7. Ensure that fees for breaking and training services, as well as any other fees generated as a result of College-sponsored activities, are remitted to the College, and recover any such revenue that was remitted to the College Foundation or other organizations.

(College and SUNY System Administration officials generally agree with recommendation number 1 through recommendation number 7.)

Equipment Control

Consistent with guidance from SUNY System Administration, College policy is to centrally record and control all computer equipment items that cost more than $500 as well as all other equipment items that cost more than $1,500. The College uses SUNY's Property Control System (PCS), a statewide computerized database system, to account for these assets. As of October 27, 1999, the PCS listed 2,275 College equipment items with a value of $9.2 million. Fifty-nine percent of the items (1,342 items) were classified as computer equipment and 324 of these items cost between $500 and $1,500. At Morrisville, the Assistant Vice President for Finance and Administration has overall responsibility for establishing the system of campus equipment control. The Property Control Manager (Property Manager) is responsible for maintaining the property record, and Department Fund Managers have administrative responsibility for equipment assigned to their Departments.

We physically located all of the 118 equipment items valued at $635,672 that were part of our judgmental sample of the PCS record. However, our audit also found that College management has not adequately fulfilled several responsibilities for maintaining effective equipment control practices and procedures. Many of the weaknesses we found in our current audit have been reported in prior audits of the College. The following includes certain of the findings we observed during this audit.

- The Property Manager has issued two brief memos to the Department Fund Managers concerning general aspects of equipment control, but there were no formal written campus equipment control procedures. For example, no specific procedures existed for recording new equipment items onto PCS or for taking periodic physical inventories.

- Management had neither provided equipment control training to the Fund Managers, nor provided them with a listing of the equipment under their responsibility. In addition, only a minimal amount of on-the-job training in equipment control has been provided to the Property Manager, according to the Manager.

- College officials told us that a complete equipment inventory has not been taken since 1996. In addition, the College had no records of the processes or results of that inventory.

- The PCS identified 27 items (costing over $48,000) as missing. However, management has not made follow-up efforts to locate these missing items or to report them as lost or stolen.

- College management does not monitor whether the Property Manager is correctly updating PCS for new items or whether the Manager is ensuring that surplus or scrapped items are removed from PCS and are disposed of properly in accordance with State policies. For example, we analyzed PCS data for all 121 items added to the PCS during the period July 1, 1998 through October 16, 1999 and found that ten items (eight percent) were recorded on the PCS within one month of the date they were received; 42 items, (35 percent) were added to the PCS within one to two months of date received; 48 (40 percent) were added to the PCS within two to six months of the date received; and 21 items (17 percent) were not recorded on PCS for over six months after the date of receipt.

Newly acquired equipment assets should be promptly added to the property record to both safeguard them against loss or theft and to help ensure the accuracy of the record. Based upon judgmental samples that we took of College equipment purchases, we conclude that the College is not adequately ensuring that accountability is established for all new items in a timely manner. For example, our tests identified the following conditions.

- In July 1999, the College's Syracuse Educational Opportunity Center purchased and received 78 desk top computers, valued at $100,000. We found, however, that these items had not been recorded on the inventory as of October 31, 1999. As of this same date, the College also had not recorded on the PCS, ten items of equipment valued at $41,269 and purchased during the year ended June 30, 1999. The equipment items included a digital video camcorder ($1,697), a piano ($4,995), two laser printers ($2,942), three lap top computers ($14,665), two digital copiers ($10,942) and a digital duplicator ($6,028). Concerning the desk top computers, officials told us that it appears that the College's purchasing staff had failed to send a copy of the purchase order to the Property Manager. Such a copy would signal the Property Manager that the equipment, when received, should be added to the inventory by the Syracuse custodian.

- A $3,321 CD rom server purchased in August 1999 and a $2,142 film scanner and a $2,713 laser printer purchased in September 1999 were received by the College, but were not recorded onto PSC as of October 31, 1999. College officials told us that the Computer Services Unit still had the items in storage. Officials added that when these items were issued for use, the Property Manager would be advised so that the equipment inventory records could be updated. Proper accountability over equipment would be to record items into inventory upon receipt as opposed to when items are removed from storage for use.

- Two IBM think pad computers purchased in November 1998 and valued at $4,823 had not been recorded onto PCS as of October 31, 1999. A color laser printer purchased in September 1999 and valued at $2,713 had not been recorded onto PCS as of October 31, 1999. Officials told us this occurred because the purchase orders were misfiled.

- As of October 31, 1999, the PCS did not reflect 173 Raylink wireless network access points valued at $129,750 and purchased two months previously. Officials explained that they were initially uncertain about whether these items should be classified and recorded as equipment.

Officials responded they were pleased that we were able to physically locate all the sampled items from the College's inventory records. In addition, officials advised us that they will periodically perform and document random tests to monitor the work of the Property Manager. Officials also stated that the Assistant Vice President for Administrative Services approves all PCS transaction reports and surplus declarations. In response to our concern about annual physical inventories, College officials told us that they had plans to take a physical inventory and had started the process prior to our audit. They stated that they had completed a physical inventory of all computers at the main campus, the largest percentage of equipment items on the inventory, but had not yet identified or followed up on missing computers. We urge the College to establish a time frame for completing its equipment inventory.

Recommendations

8. Develop written equipment control procedures, responsibilities, and expectations and formally communicate these to all employees with a role in the system of controls.

9. Provide the Property Manager and the Department Fund Managers and any other staff who are responsible for equipment with appropriate training in equipment control procedures and practices.

10. Continue with and establish a time frame for completing the physical inventory.

11. Implement procedures to take an annual physical inventory of equipment assets and use this opportunity to monitor and evaluate whether the system of equipment controls is operating effectively.

12. Perform necessary follow up for the 27 items of equipment that PSC shows as missing as well as for any items found missing as a result of the physical inventory.

13. Periodically monitor the activities of the Property Manager to ensure that PCS is being updated in a timely manner to reflect all transactions affecting equipment.

(College and SUNY System Administration officials generally agree with recommendation number 8 through recommendation number 13.)

Major Contributors to This Report

Jerry Barber
William J. Nealon
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April 28, 2000

Mr. Jerry Barber
Audit Director
Office of the State Comptroller
The State Office Building
Albany, New York 12236

Dear Mr. Barber:

In accordance with Section 170 of the Executive Law, we are enclosing the comments of State University College of Agriculture and Technology at Morrisville and SUNY System Administration regarding the draft audit on the Selected Financial Management Practices, State University College of Agriculture and Technology at Morrisville (99-S-30).

Sincerely,

Richard P. Miller, Jr.
Vice Chancellor and
Chief Operating Officer

Enclosure

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State University of New York College of Agriculture and Technology at Morrisville
Selected Financial Management Practices
99-S-30

General Comments

(CATM) The audit by the Office of the State Comptroller was a positive process in that it identified aspects of both revenue controls and equipment management upon which the College can improve. The College fully intends to deal appropriately with each point raised by the auditors, within the limits of available staff and resources.

In general, many of the concerns identified by the audit team are the result of staffing shortages. While we do not expect to be able to add additional personnel, we feel that the audit concerns can be effectively addressed through the use of compensating controls.(i.e. Bursar review, developing new Banner reports, etc.).

Additionally, a large number of the concerns raised by the auditors are the result of the direct or indirect result of personnel turnover. For example, of the twelve total employees in the Business Office, six were in their current titles less than fourteen months prior to the audit team's arrival. The Property Manager has only been in this position since October 1997. Of the College's four School Deans (major fund custodians) one was hired in May 1998, one in January 1999, one in June 1999, and one in August 1999.

This amount of turnover is very unusual for SUNY Morrisville and significantly contributed to gaps in operating procedures. As these employees acquire more expertise and familiarity with both College and SUNY procedures, many of the concerns expressed by the audit team will be positively addressed.

In addition to the specific corrective actions that follow this narrative, the College will also take steps to ensure that each employee becomes more aware of general internal control policies and procedures. Specifically, a section on Internal Controls will be added to and highlighted in the College's Faculty and Staff handbook, etc.

Revenue Control

Recommendations (Page 9)

(OSC) 1. Perform a formal risk assessment to determine revenue controls, including separation of duties, for the Bursar's Office. As part of the assessment consider the organizational realignment possibilities and compensating control options identified in this report.

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(CATM) 1. The College agrees with this recommendation. Our initial internal control review revealed that duties are not separated to an ideal extent. Given our staffing limitations in all areas of the College Business Office, and given our charge to provide maximum customer service, we will implement compensating controls as appropriate. They will include the Bursars review of the Cashier Detail Report (daily), Accounts Receivable Activity for Voided Checks (semi-monthly), and Accounts Receivable Activity for Stop Payments (semi-monthly). We will also continue to explore other types of compensating controls; such as automatic refunds, with oversight review.

(OSC) 2. Establish control procedures for the write off of uncashed checks after three years and the review and appropriate follow up on disbursement checks that remain uncashed for more than 90 days.

(CATM) 2. The College concurs with this recommendation. In the future, the College Bursar will follow up on all uncashed checks within 90 days.

(OISC) 3. Take appropriate action to investigate and resolve the old, uncashed disbursement checks identified in this report.

(CATM) 3. The College concurs with this recommendation and has already written off checks valued at $28,954 of the total $55,701. Additionally, the Bursar has sent out correspondence in March of 2000 to outstanding check recipients. Checks are being re-issued for those that respond, while those remaining will be reviewed and voided.

(OSC) 4. Identify and maintain an accurate listing of all peripheral cash collection sites.

(CATM) 4. The College concurs with this recommendation and will update and maintain a list of peripheral cash collection sites.

(OSC) 5. Using a risk assessment methodology, formally identify peripheral site revenue control procedures, responsibilities, and expectations. Communicate these to all employees with a role in the system of controls.

(CATM) 5. The College concurs and will establish written cash control procedures in accordance with Internal Control Bulletin No: IC 94-1 – Cash Collection issued August 4, 1994, issued by the Office of the University Controller.

(OSC) 6. Establish revenue control monitoring procedures for the peripheral collection locations.

(CATM) 6. The College concurs with this recommendation and will appropriately distribute cash control procedures to all peripheral cash collection locations.

(OSC) 7. Ensure that fees for breaking and training services, as well as any other fees generated as a result of College-sponsored activities, are remitted to the College, and recover any such revenue that was remitted to the College Foundation or other organizations.

(CATM) 7. The College concurs with this recommendation and has already transferred the revenues identified in the audit.

(SUNY) 1-7. We agree with the recommendations and the College's responses.

Equipment Control

Recommendations (Page 13)

(OSC) 8. Develop written equipment control procedures, responsibilities, and expectations and formally communicate these to all employees with a role in the system of controls.

(CATM) 8. The College concurs with this recommendation and will take steps to implement it. In many cases, the College has established procedures and responsibilities for individual employees but has failed to communicate them effectively. We will rectify this problem.

(OSC) 9. Provide the Property Manager and the Department Fund Managers and any other staff who are responsible for equipment with appropriate training in equipment control procedures and practices.

(CATM) 9. The College concurs and will provide "on-the-job training" during the next Property Control inventory.

(OSC) 10. Continue with and establish a time frame for completing the physical inventory.

(CATM) 10. The College concurs with this recommendation. The first part of an equipment inventory was completed for all computers in the Summer of 1999. We are currently in the process of taking a complete inventory on the main campus, with plans for completion in the Summer of 2000.

(OSC) 11. Implement procedures to take an annual physical inventory of equipment assets and use this opportunity to monitor and evaluate whether the system of equipment controls is operating effectively.

(CATM) 11. The College concurs with this recommendation and will make every effort to complete the annual inventory as stated above in our response to recommendation 10.

(OSC) 12. Perform necessary follow up for the 27 items of equipment that PCS shows as missing as well as for any items found missing as a result of the physical inventory.

(CATM) 12. The College concurs with this recommendation. All specific problems will be resolved in the inventory currently taking place.

(OSC) 13. Periodically monitor the activities of the Property Manager to ensure that PCS is being updated in a timely manner to reflect all transactions affecting equipment.

(CATM) 13. The College concurs with this recommendation. The College's Assistant Vice President for Administrative Services will monitor the activity of the Property Control Manager.

(SUNY) 8-13. We agree with the recommendations and the College's responses.